



PROPERTY MANAGEMENT
SALES BROKER PROGRAM GUIDE
FOR
VA - ACQUIRED PROPERTIES

VA REGIONAL OFFICE
1240 EAST 9th STREET
CLEVELAND, OHIO 44199

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PART I - GENERAL PROVISIONS

1. Acceptable Purchasers

VA-acquired properties are available for sale to qualified buyers without regard to race, creed, national origin, or sex. A buyer need not be a veteran.

2. Advertising

VA encourages the advertising of VA-acquired properties in the local media. Advertising should not use wording indicating distressed sales or foreclosed veterans' loans. Wording which may be used is VA-owned homes or VA-acquired properties. The use of the term "Repos" is discouraged.

All advertising will contain the Equal Housing Opportunity logo, slogan, or statement. When advertising material is consolidated, the Equal Housing Opportunity logo or slogan need appear only one time in the advertisement. When advertising appears in several places, the logo or slogan must be contained in each advertisement.

a. Slogan: "Equal Housing Opportunity"

b. Logo:

c. Statement: We are pledged to the letter and the spirit of the United States policy for the achievement of equal housing opportunity throughout the nation. We encourage and support an affirmative advertising and marketing program in which there are no barriers to obtaining housing because of race, color, religion, sex or national origin.

All advertisements for the sale of VA-owned properties on terms other than all cash must conform to the requirements of Regulation Z and include the following:

- a. The price
- b. The amount or percentage of down payment
- c. The terms of repayment

d. The APR (Annual Percentage Rate)

The following terms are suggested for use: low down payment, low closing costs, low cost VA financing available, fixed rate loans, attractive interest rates, up to 30 years. Care should be taken to avoid the impression that the advertising broker has an exclusive listing or right to sell.

3. Affiliate Sales/Sales to VA Employees and Fee or Commission Personnel

Sales of VA-owned properties to certain VA employees or persons furnishing services to the VA on a fee or commission basis must be made under special rules in order to maintain public confidence in the integrity of the VA Loan Guaranty Program.

The following individuals are considered to be VA affiliates:

- VA employees assigned to stations having Loan Guaranty Divisions and close members of their families.
- Management brokers, appraisers, inspectors, and other persons or business entities performing services on a fee or commission basis for the Loan Guaranty Division of the station listing the property for sale. Owners, partners, officers, employees, and close family members of such persons and business entities are also considered to be VA affiliates.

Purchase offers received from VA affiliates will not be considered until the end of the equal consideration period, and then only if no acceptable offers from non-affiliates were received during the equal consideration period.

Sales commissions will be paid for sales to affiliates except for sales to the following individuals:

- Loan Guaranty employees involved in the pricing of VA-acquired properties. This restriction includes close members of their family.
- A management broker who is purchasing a VA-owned property which he/she is managing for VA. This restriction includes the management broker's partners, employees, sales people and close members of their families.

- The fee appraiser who performed the default appraisal for VA on the property being purchased. This restriction includes the appraiser's partners, employees, sales people, and close members of their families.

These restrictions on payment of sales commissions will apply regardless of the sales agent through whom the offer is submitted. No sales commission will be paid to any sales agent when the purchaser falls within one of the restricted categories.

4. Cash Equivalent Factor (CEF)

The CEF is a percentage used to convert a mortgage (vendee loan) to its corresponding cash value to VA. The CEF is based on the market price VA receives for loans sold in the secondary market. This percentage will be identified on the current sales listing.

5. Cash Equivalent Value (CEV)

The CEV is the total cash value of a term offer to VA. It is determined by applying the CEF to the amount of the mortgage (vendee loan) requested, then adding (at 100%) the amount of any down payment and funding fee to be paid by the purchaser. The percentage to be used for the funding fee will also be identified on the sales listing. NOTE: the funding fee percentage is applied to the mortgage amount, not the offered price.

6. Comment Section on Listing

VA Sales Listings will have alpha-numeric comment codes. The comment codes are a shorthand method of indicating additional terms of the sales listings or a description of the property. A full explanation of the comment codes is provided by Exhibit A.

7. Commissions

The Department of Veterans Affairs will pay two types of sales commissions.

- The basic sales commission is up to 6% of the sales price as shown on the sales listing. the minimum sales commission payable will be \$300.00 for any property, regardless of list price.
- An additional sales bonus of \$500.00 will be paid for the sale of selected properties. The sales listings will identify those properties eligible for this additional bonus.

Commissions are payable when the sale has closed and all sales closing instruments have been properly executed and received by VA. Commissions are not payable if the purchaser fails to close the sale for any reason or if the sale is to certain VA affiliates (See Affiliate Sales). Commissions are authorized when the completed closing package is received by the VA.

8. Earnest Money

An earnest money deposit of \$500.00 per property must be obtained for all offers. The earnest money should be deposited in the brokers trust account. It should not be sent with the offer to purchase since such a procedure slows processing of the offer. The earnest money will be applied to the proceeds of sale.

If the offer is rejected, the earnest money is to be returned promptly to the purchaser. The money will be forwarded to the VA if the purchaser fails to complete the contract.

9. Internet Bidding

Offers may be submitted via the Internet. The web address is "<http://www.vahomes.org/cv/>". See Exhibit "D" for further information.

10. Facsimile Receipt (FAX)

The Property Management Section has a facsimile machine (fax) available for transmission and receipt of correspondence. The fax line (216-522-2552 is available 24 hours a day. However, close of business is still considered to be 4:30 p.m. Transmissions received after 4:30 p.m. will be considered as received the next day. The system is automated; therefore, no confirmation calls will be made. VA will also accept fax transmission of purchase offers in order to establish priority receipt dates. The fax transmission will not replace the formal submission of the purchase offer. The purchase offer must be fully completed prior to the fax transmission, the broker must have collected the required earnest money deposit, and the original hard copy must be received at the station no later than five calendar days after electronic transmission of the offer. For example, a purchase offer faxed on April 14, 2000, must be received and date stamped by the close of business (COB) on April 19, 2000. However, please note the effect of weekends and holidays on the five day rule. If a purchase offer were received via fax on April 10, 2000, then the latest the original documents could be received and time stamped would be COB April 14, 2000. Although April 10th plus five days would be April 16, 2000,

April 16th is not a workday and the documents could not be received and time stamped on the Sunday. If the original purchase offer is not received and time stamped within the five calendar day period, the faxed offer will lose its priority position and the actual receipt date of the original offer will become the official receipt date.

There are minimum requirements for fax submissions. Always use a cover sheet to identify the sender. Minimum submissions consist of the following:

Cash Offer

- VA Form 26-6705, Offer to Purchase and Contract of Sale (Both sides)
- Certification by the purchaser(s) that a copy of the sales listing and comment section was received.
- Agency Disclosure Statement.

Term Offer

- VA Form 26-6705, Offer to Purchase and Contract of Sale (Both sides).
- Certification by the purchaser(s) that a copy of the sales listing and comment section was received.
- VA Form 26-6705b, Credit Statement of Prospective Purchaser (Both sides).
- Agency Disclosure Statement.

Program participants should be aware as to when the use of a facsimile transmission will be beneficial. If the goal is to have the purchase offer received during the equal consideration period, there is no benefit to using a fax transmission unless it is doubtful that an express mail service will be able to deliver the original offer by the end of the equal consideration period. Either the U. S. Postal Service or private carriers offer next day deliver.

11. Financing by the VA

VA will finance many of the VA-acquired properties listed for sale. The exact terms of the available financing will be stated on the sales listing. In general, low down payments and low closing costs combined with competitive interest rates make VA financing attractive to homeowners and investors. A 26-6705b must be submitted with the offer to purchase (26-6705).

12. Flood Insurance

Flood insurance must be provided on properties located in areas designated under the National Flood Insurance Program as having special flood hazards. The sales listing will identify affected properties.

13. Funding Fee

The VA is required to collect a funding fee on all VA financed loans for the purchase of VA-owned properties. The fee may not be collected from a veteran who is receiving compensation (or who but for the receipt of retirement pay would be entitled to receive compensation) or from a surviving spouse as described in 38 U. S. C. 1801 (b)(2). Exempt veterans or surviving spouses should provide their claim numbers when making an offer. The funding fee must be paid in cash or certified funds; it cannot be financed as part of the loan.

14. Hazard Insurance

The purchaser of a VA-acquired property on terms is required to provide the VA with an original hazard insurance policy or binder and paid receipt for the first year premium. The policy must be for at least fire and extended coverage. The minimum amount of coverage will be the amount financed.

15. Net Return to VA

The net return to VA is the amount that VA will receive from a cash offer or term offer reduced to its cash equivalent value after deducting selling expenses (e.g. sales commissions, sales bonuses, financing and closing costs paid on behalf of the purchaser).

16. Open Houses

Participating Brokers are encouraged to hold open houses for VA-owned properties listed for sale. Many VA-owned properties have been extensively renovated and show well. Even if you do not have a potential purchaser, preview our properties and give us your comments. Open houses must be coordinated through the VA Management Broker (name and phone number are posted on the property). Scheduling will be based on a first come - first served basis. Only one broker or company should hold open house at a time. Use only generic open house signs that do not give the impression that the broker or company has an exclusive right to sell. Although company signs on the premises are not permitted, it is appropriate to use business cards and other normal sales procedures.

17. Ordering Forms

VA Forms may be obtained on the Web at “<http://www.vba.va.gov/pubs/forms1.htm>”.

Required forms, such as VA Form 26-6705, Offer to Purchase and Contract of Sale, may be ordered by sending a VA Form 23-8800, Request for VA Forms and Publications to:

1. Department of Veterans Affairs
Publications (231B)
1240 E. Ninth Street
Cleveland, Ohio 44199
2. Faxed to: (216) 522-3138.

18. Possession of the Property

It is the policy of the Department of Veterans Affairs to give a purchaser possession of the property only after he has executed the note and mortgage, paid the proceeds of sale, and completed all other requirements contained in the sales contract.

19. Property Keys

VA-owned houses are normally secured with masterkey locks. These locks will be placed on either the front or back door of the property as soon as VA has title to the property. Approved sales brokers are provided with a master key to allow access for showing the property to a prospective purchaser without contacting the VA Management Broker. Defective locks should be reported to the Management Broker immediately.

Keys available at the VA Management Broker's office will automatically rekey the lock for the purchaser after the sale is closed.

IMPORTANT: Brokers will not allow unauthorized individuals to use master keys. Master keys will not be given to prospective purchasers to make unaccompanied property inspections. Let's safeguard Government assets.

20. Repairs

Although repair programs are often undertaken to make the property habitable or more attractive to prospective purchasers, it is emphasized that properties are sold "As Is" without warranties as to physical condition. When properties are listed with structural defects or code violations, brokers will bring the situation to the attention of potential purchasers. Brokers should not make promises or give assurances without definite knowledge of VA intentions regarding further repairs.

In the event the sales price as listed involves future repairs to be done by VA, such repairs will be evidenced only by VA Form 2606705b, Agreement to Repair and/or Acceptance by Purchaser, which will be attached to the copies of the VA Form 26-6705, Offer to Purchase and Contract of Sale. The signature of the potential purchaser will be required on the VA Form 26-6705a as an acknowledgment that only those repairs specified are the responsibility of VA and are included as one of the terms of the contract for sale.

21. Sales Listings

Listings are mailed simultaneously to all participating brokers on a non-exclusive listing basis to ensure that all participating brokers have an equal opportunity to show the properties and submit offers to purchase. Listings are subject to prior sale, change, or withdrawal at any time without prior notice.

22. Shelter for Homeless Veterans through Acquired Property Sales

38 U. S. C. 3735 authorizes VA to sell selected properties to any state or political subdivision of the state, or to non-profit organizations working on behalf of the homeless. Sales are on a cash basis only, and purchasers must agree to several specific conditions of sale. The purpose of the program is to provide shelter for homeless veterans and their families. Commissions are payable.

23. Showing the Property

The VA Form 26-6722, Property Inspection Record, must be signed each time the property is visited by the broker or his sales personnel. The form will usually be displayed in the kitchen of each vacant property. Please ensure that all doors and windows are secured before leaving the property. any observed condition adversely affecting the property should be reported to the VA management Broker. Please, no use of the sanitary facilities.

Although we appreciate and solicit the interest of the real estate industry, we insist that you do not inspect or show properties until listed for sale. The showing of an unlisted property may disrupt a repair program or cause damage to work in progress.

Tenant-occupied properties may be shown at reasonable hours by arranging an appointment through the VA Management Broker.

24. Simultaneous/Equal Consideration Period

It is the policy of the Cleveland Regional Office to establish an equal consideration period for the receipt of offers. Offers received during this timeframe, which begins with the date of the public appearance of the listing and ends 10 calendar days after the appearance date, are considered to be received simultaneously. This method provides the public with a reasonable period of time to enter competitive bids. Bids received during the equal consideration period are placed in a locked drawer. The net effect of the equal consideration period is to provide a sealed-bid auction.

25. Status Calls

Check the Internet Web Site at: www.vahomes.org/cv/

Sales brokers should not encourage potential purchasers to contact VA directly. If there are questions, the broker should note them and contact VA. Excessive telephone calls requesting information on pending offers or the availability of properties for sales reduce the time we can spend processing offers.

26. Tax/Special Assessment Prorations

See Item 9D of Conditions of Sale on the VA Form 26-6705, Offer to Purchase and Contract of Sale.

27. Underwriting for VA Financed Loans

The standards for evaluating the credit statements of prospective purchasers of VA acquired properties are the same standards used for underwriting VA Loans under the Loan Guaranty Program (GI Loans) (Extract of VBA Circular 26-88-8, Vendee Loan Underwriting).

PART II - OFFER SUBMISSION

1. GENERAL

Offers to purchase must be submitted on standard VA forms; that is, VA Form 26-6705 and 26-6705b. The purchaser(s) and selling broker must sign the forms. Attach separate sheets of paper if additional space is needed and identify all correspondence with the PM number. All forms should be typewritten. Offers must be received by VA no later than C.O.B. (4:30 p.m.) on the listing expiration date.

Offers only should be mailed to the following address (all other correspondence should continue to be addressed to the Regional Office):

Property Management

Offer to Purchase

PO Box 99810

Cleveland, OH 44199

2. Term Offers

Checksheet for Term Offers

Three (3) Copies VA Form 26-6705, Offer to Purchase and Contract of Sale.

Two (2) Copies VA Form 26-6705b, Credit Statement of Prospective Purchaser. (If co-purchasers other than a spouse are involved, a separate VA Form 26-6705b is required for each co-purchaser. The forms should be cross referenced to avoid being considered as separate offers).

Three (3) Copies Agency Disclosure Statement.

One (1) Copy Certification by the purchaser(s) that a copy of the Sales Listing and comment section was received.

REMEMBER: The law provides severe penalties for the willful submission of any statement or evidence of a material fact, knowing it to be false. This includes deliberate omissions of property ownership and financial obligations.

Term of Loan The maximum term of mortgage available is 30 years. Purchasers may also request 15 year loans.

Down Payments Minimum down payments are stated on the sales listing. A 10% down payment is required on non-owner occupied/investor sales.

How to Expedite Term Offer Processing Submission of the following information will assist VA in expediting loan underwriting:

Copies of all forms and schedules for the two most recent federal tax returns, copies of all related W-2's, the most recent original pay stub, and copies of divorce decrees and separation agreements for previously married offerors. Offers for self-employed individuals must also contain both profit-and-loss statements and balance sheets for the last two years, as prepared by an accountant. Rental income must be supported by copies of all lease agreements and verification of cash assets sufficient to cover six months of mortgage payments.

3. Cash Offers

Checksheet for Cash offers

Three (3) Copies VA Form 26-6705, Offer to Purchase and Contract of Sale.

Three (3) Copies Agency Disclosure Statement.

One (1) Copy Certification by the purchaser(s) that a copy of the Sales Listing and comment section was received.

Brokers must prequalify offerors to ensure that they have cash-in-hand or the ability to obtain a firm commitment from a lending institution. Extensions to gain financing will be granted only for compelling reasons and closings must proceed as scheduled. A commitment letter or a verification of funds on hand will enable us to give an almost immediate approval.

4. Agency Disclosure Statement

The state-required Agency Disclosure Statement is not in conflict with VA policy or regulations. Because sales brokers are required to certify that they are licensed to sell real estate by the appropriate governmental agency when submitting an offer to Purchase and Contract of Sale, VA Form 26-6705, it is consistent to require the Agency Disclosure Statement to be attached to all purchase offers. Purchase offers submitted without Agency Disclosure Statements will be rejected as incomplete submissions.

5. Authorization for Disclosure of Tax Information

Vendee loan underwriting often includes income verification by submission of the most recent Federal income tax return(s) and schedule(s). In order to improve the accuracy of VA underwriting, an agreement between the Department and the Internal Revenue Service regarding the verification of Federal income tax information was reached.

Purchase offers requesting term financing by VA may require a completed Authorization for Disclosure of Tax Information. Appropriate action will be taken by VA after receipt of the purchase offer package. There will be no processing delays due to this additional requirement. Please note that the Authorization does not replace the tax returns and schedules.

A sample of a properly completed Authorization for Disclosure of Tax Information is provided by Exhibit E. A term purchase offer relying on more than one income requires the social security numbers and signatures of all persons whose income will be used for loan qualification.

6. Employment Verifications

Employment verifications should not be hand carried by the purchaser or sales agent. For employment verifications, the blocks in Part 1 of the VA Form 26-8497 pertaining to the purchaser should be completed at the time the offer is written. The verification should then be attached to the purchase offer and submitted.

7. Lead-Based Paint Warning Notice

Lead-Based Paint Warning notices, acknowledged by the purchaser, are required when submitting purchase offers for all federally owned properties (VA, HUD, etc.). Although the text of the notices are nearly identical for all agencies, the forms are not interchangeable. If an offeror is put in first place VA will provide the Lead-Based Paint Forms.

8. Instructions for Completing the VA Form 26-6705, Offer to Purchase and Contract of Sale

PM NUMBER: Enter the PM Number exactly as entered on the Sales Listing.

BLOCK 1A: Enter the address of the property to be purchased. Copy the complete address as given on the Sales Listing.

BLOCK 1B: Enter the PM number exactly as entered on the Sales Listing.

BLOCK 2A & 3A: Enter the name(s) of the purchaser(s).

BLOCK 2B & 3B: The address(es) of the purchaser(s) must be the complete mailing address including the Zip Code.

BLOCK 2C & 3C: Home phone number.

BLOCK 2D & 3D: Business phone number.

BLOCK 4: The name or names must be stated in the precise manner that the deed of conveyance will read. All persons named in this block must sign the offer to purchase. If a spouse will not be taking title to a property, please indicate by (spouse to release dower). The spouse should sign the offer even if he/she will not be taking title.

BLOCK 5: Check either Yes or No.

BLOCK 5A: Check either Yes or No.

BLOCK 5B: Enter purchaser's service/serial number.

BLOCK 5C: Enter the last date on duty.

BLOCK 6: Is this property being purchased directly or indirectly by or for any of the following persons or their close relative? Block A, B, C, and D must be completed in order for an offer to purchase to be considered. If the answer to any question in Item 6 is Yes, a detailed statement of the circumstances must be given. close relative means a spouse, parents, children, brothers and sisters, or any other relative who is a member of the purchaser's household.

BLOCK 6A: If the purchaser or a close relative has at any time obtained or assumed payment on a loan made, guaranteed, or insured by the VA, the block for Yes should be checked. If there is no connection with any VA loan, check no.

BLOCK 6B: This category includes persons directly employed by the VA; management brokers doing business with the VA, any agent of such brokers, including not only salaried employees but salespersons working solely on a commission or other fee basis, and any close relative of persons in the above categories. Note that affiliated status created by the existence of any of the above conditions is not eliminated by submitting an offer through a different broker. Any person having such an affiliation should check Yes, all others check No.

BLOCK 6C: Any purchaser who at any time in the past was the owner of the property for which the offer is being made should check Yes, all others should check No.

BLOCK 6D: Any purchaser who at any time was the buyer of any VA-owned property should check Yes; all others should check No.

SECTION II TERMS OF PURCHASE

BLOCK 7: Cash Offer. If a cash offer, check the box.

BLOCK 7A: Enter the full amount of the offered purchase price.

BLOCK 7B: Discount points.

BLOCK 7C: VA will pay the usual and customary fees.

BLOCK 7D: VA will pay the usual and customary closing costs.

BLOCK 7E: VA pays up to 6% sales commission of the offered price.

BLOCK 7F: If a \$500.00 bonus is offered it will be annotated on the sales listing with the letter “P” in the comment codes.

BLOCK 7G: The total of items “B” through “F”.

BLOCK 7H: Item A minus Item G.

BLOCK 7I: Time frame is 30 days.

8. Term Offer

BLOCK 8A: Enter the full amount of the offered purchase price.

BLOCK 8B: The minimum down payment is stated on the sales listing.

BLOCK 8C: Subtract Item “B” from Item “A”.

BLOCK 8D: Cash equivalent factor can be found on the front of the sales listing marked CEF.

BLOCK 8E: The total of Item “C” X Item D.

BLOCK 8F: The total of the funding fee (which can be found on the front of the sales listing) X Item “C”.

BLOCK 8G: Down payment same as Item “B”.

BLOCK 8H: Total of Items “F” and “G”.

BLOCK 8I: Total of Items “E” plus Item “H”.

BLOCK 8J: VA pays up to 6% sales commission of the offered price.

BLOCK 8K: Sales bonus if applicable.

BLOCK 8L: Add Items “J” and “K”. Enter total.

BLOCK 8M: Subtract Item “L” from Item “I”. Enter remainder.

BLOCK 8N: Current interest rate can be found on the front cover of the sales listing.

BLOCK 8O: VA will finance for 15 or 30 years.

BLOCK 8P: Can be found in a comprehensive mortgage payment table.

BLOCK 9: Must be \$500.00 or more.

BLOCK 10A: The principal purchaser must sign the contract.

BLOCK 10B: Date signed by purchaser.

BLOCK 11A: For signature of spouse or co-purchaser.

BLOCK 11B: Date signed by spouse or co-purchaser.

BLOCK 12A: The name of the firm, as registered with the Ohio Division of Real Estate. the mailing address should include street, city, state, and zip code.

BLOCK 12B: Name of the broker, as registered with the Ohio Division of Real Estate.

BLOCK 12C: Federal Tax ID or Social Security number. This number will be used to prepare 1099s.

BLOCK 12D: Name of the agent making the sale.

BLOCK 12E: Enter the area code and telephone number of the sales broker. Also identify fax numbers.

BLOCK 13A: The principal broker or broker's authorized representative must sign and date the certifications on the purchase offer.

BLOCK 13B: Date signed by broker or broker's authorized representative.

BLOCK 14A: The VA Loan Guaranty Officer or his/her designee will sign this block.

BLOCK 14B: Date signed by the L. G. O. or designee.

PART III - OFFER SELECTION CRITERIA

1. General

The offer which will be accepted is the offer which produces the highest net return (HNR) and otherwise meets VA requirements. Under the HNR procedure, sales listings will show only one list price for each property. The selling broker will complete the appropriate calculation (cash or term) on the VA Form 26-6705, Offer to Purchase and Contract of Sale. The amount of the sales commission and sales bonus (if authorized) must be included on the offer to purchase and deducted from the bid price, or they will not be paid. Prior to the final selection of offers, VA will verify that the selling broker's computations are correct. If VA discovers any inconsistency between the net to VA and the component calculations of the net to VA, brokers may be asked to correct minor errors by submitting a corrected VA FORM 26-6705 within a reasonable period of time (generally, within one workday). For this purpose, a minor error is considered one which does not change the net to VA to the disadvantage of either other competing offers or VA.

2. Calculating Net Return of a Term Offer

To determine the net return to VA from a term offer, the CEV of the offer must first be calculated. After the CEV is calculated, then the amount of the sales commission and any sales bonus will be deducted from the CEV to arrive at the net return.

3. Calculating Net Return of a Cash Offer

To determine the net return to VA on a cash offer, all costs to be paid by VA will be deducted from the bid price. These costs include sales commission, sales bonus and any amount which the buyer requests that VA pay toward discount points, loan origination fees and closing costs. The total of discount points, loan origination fees and closing costs that VA will pay will not exceed what is reasonable and customary in each real estate market. VA will only pay actual costs and reserves the right not to pay costs, which in the judgment of VA, are unreasonable and are not customary.

4. Allowable Closing Costs

The following are examples of allowable closing costs for cash offers.: Appraisal fee (lender's), title exam and title insurance (EPA endorsement), survey, recording fees, credit reports, document preparation fees, escrow fees, notary fees and tax service fees.

5. Equal Offers

Occasionally two or more offers may be tied for the HNR. The first criteria to be used as a tie breaker is the veteran status of the offeror. VA will select a veteran's offer over a non-veteran's offer. If this selection factor does not break the tie, then an owner-occupant will receive priority over an investor. Should these criteria not break the tie, VA will draw lots to break the final tie.

6. Direct Offers

Although direct offers are not prohibited, it is VA policy to discourage direct offers because VA does not have adequate staff to show properties to prospective purchasers and assist them in preparing their offers. In order to discourage this practice, all such offers will be treated as if a maximum sales commission were to be paid (although none will be) when calculating the net return to VA for comparison with competing offers.

7. Multiple Offers

A purchaser may submit only one offer per individual property per equal consideration period. However, an individual purchaser may submit one offer per property for several properties per equal consideration period. If the purchaser wishes to change his/her offer before the end of the equal consideration period, he/she must provide a written withdrawal of the first offer and submit a replacement offer before the end of the equal consideration period.

PART IV - CLOSINGS

1. Notification

Upon acceptance of the offer, the selling broker will be notified of the closing date by letter.

2. Hazard Insurance - VA Financed Loans (Terms)

Upon notification of acceptance, the broker must instruct the purchaser to obtain a hazard insurance policy for at least the amount of the loan. At the closing the purchaser must present the original policy and a paid receipt for the first year premium. The purchaser must be identified as the insured and VA identified as the mortgagee. The mortgagee clause should read:

Secretary of Veterans Affairs, successors or assigns,
c/o Seasons Mortgage Group, Inc. (Loan Number)
9325 Midlothian Turnpike, Suite A
Richmond, Virginia 23235

3. Instructions

The VA will provide detailed instructions with the closing package. Brokers are expected to close all sales in the manner specified and to complete all of the steps stipulated in the instructions. Under no circumstances are you authorized to transfer title until all forms and documents are properly executed and all required funds are in your possession. All checks (certified or equivalent) must be made payable to the Department of Veterans Affairs. No fees for closing the sale will be paid to the broker other than the sales commission. The broker, as VA sales closer, must sign all copies of VA Form 26-6714, Settlement Statement for VA Acquired Property Sales. The earnest money should be applied to proceeds of sale at closing.

Closing Cash Sales When the funds for a cash sale are to be obtained from a lending institution, the sales broker will receive a complete closing package, as in all VA sales. The broker must advise the lender, in advance, that VA will provide the Settlement Statement with all prorations computed to the date established by VA. Additionally, the maximum discount points, origination fee, and closing costs VA agreed to pay under contract (if any) will be reflected on the VA Settlement Statement, VA FORM 26-6714, Settlement Statement for VA-Acquired

Properties. If the actual discount points, origination fee, and closing costs are less than the amount stated on the VA Forms 26-6705 and 6714, then the excess balance of funds must be forwarded to VA along with the completed closing package.

Although lenders usually require that buyer and seller sign an escrow acceptance statement, the lender must be advised that VA will not be a party to the escrow and will not sign any agreement to that effect. The reason for this policy is that the typical escrow acceptance statement is in conflict with the basic VA purchase agreement. It is imperative that brokers closely monitor closings to ensure that all original documentation provided by VA be returned to VA. Failure to ensure the proper return of original documentation will result in administrative action.

THE BROKER INVOLVED IN A CASH SALE IS NOT PERMITTED TO SIGN FOR THE SECRETARY OF VETERANS AFFAIRS ON ANY FORM.

Closing Term Sales When a term offer has been accepted by VA, the broker will be required to collect and forward via certified check, the exact sum of money stated on item 303 of the VA Form 26-6714, Settlement Statement for VA-Acquired Properties. The VA FORM 26-6714 is an authorized substitute for the HUD 1 form.

4. Final Inspection by Purchaser and Sales Broker

The purchaser should examine the property on the date of the sales closing to determine if there has been any change in the condition of the property since the original showing. The purchaser and broker should sign the “As Is” statement at this point in time. VA responsibility for maintenance and protection of the property ends and the responsibility of the purchaser begins when the sale is closed. The purchaser should make arrangements to transfer utility services immediately upon closing.

5. Final Inspection by VA Management Broker

Just prior to closing, the VA Management Broker will make a final inspection, facilitate meter readings and reconnection of services, and initiate any necessary minor repairs. The Management Broker will pick up the VA warning signs and property inspection cards. Selling brokers are not permitted to remove these items from the property. VA Management Brokers receive no sales commissions or fees for assisting selling brokers.

6. Timeliness of Closings

It is imperative that all sales closings be completed on the date set for the closing and that the required forms in the closing package, properly executed, be returned immediately. Completed closing packages should be sent by express mail to the VA. Mailing costs may be collected from the purchaser by the sales broker.

7. Delays in Closings

We require expeditious closings. If the closing is to be delayed more than five business days, we must immediately be notified by telephone with the reason for the delay and the date the loan will be closed. If the delay extends beyond the first payment due date, new closing instruments must be prepared. If the purchaser refuses to close, the complete closing package, the earnest money and a letter of explanation must be returned to VA immediately.

8. Exemption from Reporting to the IRS Real Estate Transfers by VA

Regulations issued by IRS provide that an information return (IRS Form 1099-B) is not required where the transfer of the property is the United States or any agency or instrumentality thereof. Internal Revenue Regulation 1.6045-3T, Paragraph (d)(2), 52 F. R. 10742, 10744 is applicable.

9. Affiliate Sales Closings

Participating management brokers may not close affiliate sales for themselves nor for members of their staff or family. All such closings will be held in the office of a local Management Broker or VA Regional Office. Management Brokers will be paid a nominal fee for their services as closing agent.

EXHIBIT A

COMMENT SECTION ON LISTING

THIS COMMENT SECTION IS NOT A WARRANTY OF ANY KIND BY VA OR ANY AGENT REPRESENTING VA. THIS COMMENT SECTION IS NOT A SUBSTITUTE FOR ANY INSPECTIONS. POTENTIAL PURCHASERS ARE ENCOURAGED TO OBTAIN THEIR OWN PROFESSIONAL INSPECTION.

FEATURE CODES

AD. <u>Adobe</u>	AL. <u>Aluminum Siding</u>
AS. <u>Asbestos Siding</u>	BR. <u>Brick</u>
BV. <u>Brick Veneer</u>	FR. <u>Frame</u>
LG. <u>Log</u>	MA. <u>Masonry</u>
ST. <u>Stucco</u>	VS. <u>Vinyl Siding</u>
WF. <u>Wood Framing</u>	

A. WATER SUPPLY:

1. Public water service
2. Private water service.
3. Well-volume of water is not guaranteed due to uncertain water tables.
4. Cistern.
5. Other. (_____)

B. SEWER SYSTEM:

1. Public sewer
2. Private sewer.
3. Septic tank/leach field (date inspected).
4. Aeration tank (date inspected).
5. Other. (_____).

C. ROOF:

1. Newer roof, prior roof removed.
2. Newer roof installed over existing roof.
3. Existing roof, minor repairs, but condition not warranted.
4. Existing roof, no leaks observed, but condition not warranted.
5. Roof leaks, no repairs to be made.

(Exhibit A - continued)

D. BASEMENT/CRAWL SPACE:

1. Water leakage, water accumulation, excess dampness not observed.
2. Damp basement or crawl space observed - cause not identified.
3. Water leakage or accumulation observed - no repairs or modifications made.
4. Water leakage or accumulation observed and corrective action taken, contact VA Management Broker for details.

E. STRUCTURAL COMPONENTS (Foundation, Floors, Interior and Exterior Walls):

1. Material movement, shifting, deterioration, or cracking not observed.
2. Material movement, shifting, deterioration or cracking observed but not corrected - contact VA Management Broker for details.
3. Material movement, shifting, deterioration or cracking observed and corrected - contact VA Management Broker for details.

F. MECHANICAL SYSTEMS:

1. Newer electrical system installed, no warranty.
2. Existing electrical system partially repaired/modified, no warranty.
3. Existing electrical system not repaired/modified, no warranty.
4. Newer heating system/furnace installed, no warranty.
5. Existing heating system/furnace partially repaired, no warranty.
6. Existing heating system/furnace not repaired/modified, no warranty.
7. Newer plumbing system installed, no warranty.

(Exhibit A - continued)

8. Existing plumbing system partially repaired/modified, no warranty.
9. Existing plumbing system not repaired/modified, no warranty.

NO WARRANTY REGARDING CONDITION OF AIR CONDITIONING, SUMP PUMPS, FIREPLACE/CHIMNEYS, LAWN SPRINKLERS, WATER SOFTENERS, SECURITY SYSTEMS, CENTRAL VACUUMS OR OTHER MECHANICAL SYSTEMS.

G. WOOD BORING INSECTS/TERMITES:

1. Property inspected for wood boring insects/termites - none observed (inspection date).
2. Property inspected for wood boring insects/termites - inactive infestation observed (inspection date).
3. Property inspected for wood boring insects/termites - active infestation noted and treated (inspection date).
4. Property inspected for wood boring insects/termites - active infestation noted and not treated (inspection date).
5. Property not inspected for wood boring insects/termites.

H. PRESENCE OF HAZARDOUS MATERIALS:

VA does not test for asbestos, urea- formaldehyde foam insulation or radon gas.

1. A VA Form 26-6705, Offer Purchase and Contract of Sale, submitted on a property built before 1978 is contingent upon a risk assessment or property inspection for the presence of lead-based paint and/or lead-based paint hazards. The purchaser may remove the contingency at any time without cause, or the duration of the contingency may be modified by agreement between the purchaser and VA; otherwise, the contingency lasts for 10 days after the date the offer is selected by VA; and the ending date will be stated in VA Form 26-6705e which will be sent to the purchaser or the purchaser's agent when the offer is selected. The purchaser is responsible for ordering, and will bear the expense of any risk assessment or inspection obtained under this contingency.

2. "Investor Special". Any defective paint conditions will not be treated by VA due to the scope of repairs required prior to occupancy.

(Exhibit A - continued)

I. DRAINAGE/FLOODING:

1. No observed current flooding, drainage, settling, or grading problems.
2. Observed current flooding, drainage, settling, or grading problems and repairs or modifications undertaken - contact VA Management Broker for details.
3. Observed current flooding, drainage, settling, or grading problems/repairs or modifications not made - contact VA Management Broker for details
4. This property is located in a special flood hazard area. Flood insurance will be required.

J. CODE VIOLATIONS:

1. No violations on file with VA.
2. Code enforcement area, purchaser should contact municipality for most current information/occupancy permit information.
3. Existing code violations - contact VA Management Broker for details.
4. Condemned property - contact municipality for permit information.

K. UNDERGROUND STORAGE TANKS/WELLS:

1. Underground tanks(s) on property.
2. Oil or natural gas well(s) (plugged or unplugged) on property.
3. Abandoned water well on property, contact VA Management Broker for details.

L. OTHER KNOWN MATERIAL DEFECTS(S):

Contact VA Management Broker for details.

(Exhibit A - continued)

M. CASH OFFERS ONLY CONSIDERED FOR THIS PROPERTY.

**N. PROPERTY MEETS MPR'S AND AVAILABLE FOR FHA OR VA FINANCING.
ANY REPAIRS MUST BE ESCROWED AT THE PURCHASER'S EXPENSE.**

O. AVAILABLE FOR SHELTER FOR HOMELESS VETERANS PROGRAM.

P. THIS PROPERTY ELIGIBLE FOR A \$500 BONUS.

Q. FIRST LISTING FOR THIS PROPERTY.

EXHIBIT B

TO: DEPARTMENT OF VETERANS AFFAIRS

REGIONAL OFFICE

CLEVELAND, OH 44199

FAX # (216) 522-2552

ATTN: PROPERTY MANAGEMENT (264)

PM #: _____

**TOTAL NUMBER OF PAGES INCLUDIDNG THIS COVER
SHEET _____**

FROM: ORIGINATOR

PHONE# _____

MESSAGE

(OPTIONAL): _____

EXHIBIT D



DEPARTMENT OF VETERANS AFFAIRS

Regional Office
1240 East Ninth Street
Cleveland OH 44199

March 29, 1999

In Reply Refer To: 325/264
Information Letter 26-99-11

TO: ALL SALES BROKERS

**SUBJ: Notice of New Internet Bidding Process for Property
Management Sales**

1. We are pleased to announce the availability of our new web site at "<http://www.vahomes.org/cv/>". This will allow users to do many, many things.

- a. View our current listing.
- b. Obtain commonly used PM forms from the Internet.
- c. View the latest version of our PM Sales Guide (2000, but a revision is pending).
- d. Allow buyers to identify brokers registered to sell VA properties in their area.
- e. Allow registered brokers to submit bids via the Internet.
- f. Allow registered brokers to submit bids via a push button telephone.
- g. View a ranking of all bids submitted for each property after the close of the bid period.

2. The attachment to this Information Letter describes the process that will be used by brokers to submit bids either through the Internet or by using a push button telephone.

3. Brokers must be registered in order for brokers/agents to submit offers (bids). If you received this Information Letter through the mail directly from VA, and you are an actively licensed real estate broker in the State of Ohio, you are registered with us. Right now, we have almost 2,000 Ohio brokers registered in our data base. You can check to see if you are registered on our web site by using our Broker Locator feature. If you are not registered, call 216-52203583 to get forms and instructions faxed to you.

4. Thank you for your interest in our property sales program.

JAMES L. BRUBAKER, JR.
Loan Guaranty Officer

Attachment

EXHIBIT D

INTERNET BIDDING INSTRUCTIONS

The following instructions are to assist you in submitting offers (bids) to VA Cleveland on VA-acquired properties: Brokers must be registered in order for brokers/agents to submit offers (bids). If you are not registered, call 216-522-3583 to get forms and instructions faxed to you.

Submitting a bid by phone:

1. Make sure that your offer forms are completely filled out prior to calling.
2. Dial 1-800-321-5250 (key #3)
3. Follow the voice menu instructions.
4. Make sure that you write down the "confirmation" number you are given. Put it on the upper right hand corner of your hard copy offer.
5. Make sure that your State of Ohio broker file number is on the form.

Submitting a bid by computer:

1. Access our Web site: <http://www.vahomes.org/cv/>
2. Go to "Property Listing".
3. Choose "Search by City" feature.
4. When you find your particular property, "click" its PM #.
5. When you get to the "Property of your Choice" screen, scroll down to the bottom of the screen. Click "submit bid".
6. Follow the "step by step" instructions on the screen.
7. Make sure you print the "confirmation" page. It must be submitted with your hard copy offer.
8. Make sure that your State of Ohio broker file number is on the form.

IMPORTANT!!!

No changes can be made to bids that have been electronically submitted to VA and confirmed. If you would like to change your original bid, then you must resubmit a corrected bid. If you are going to cancel an offer you submitted by phone or computer, you need to notify VA immediately by fax and/or phone.

FAX # 216-522-2552
Phone # 216-522-3583 X3972

On the cancellation notification, you must include the following:

The PM #
The Confirmation # you were given.
The Buyers signature.

NOTE: If a buyer has submitted more than one bid on the same property, the last offer received will be considered the valid bid.

IMPORTANT!!!

The VA will notify the successful bidder's broker/agent by telephone no later than the close of business the 3rd day after the bid closing. The Broker/Agent will have 3 days after notification to deliver all required documents. You should have all documentation ready to submit when called.

EXHIBIT E

AUTHORIZATION FOR DISCLOSURE OF TAX INFORMATION LOAN # PMH # 0999999

I (we), Tax payers(s) identification information:

NAME(S) Purchaser's Name (s)

ADDRESS Purchaser's Address

Purchaser's Address

SSN(s) 999-99-9999

or EIN

Authorize the Internal Revenue Service to disclose to
 EXT # () an employee of the Department of
Veterans Affairs, Cleveland, Ohio, Regional Office the tax returns and other
information which I have specified below:

TYPE OF TAX FEDERAL TAX FORM NUMBERS YEAR(S) OR PERIODS

Information from tax return or transcript of account. Describe
information to be disclosed. Copies are not to be disclosed.

I impose no limitations on the disclosure of this information.

Signature of or for taxpayer(s)

(If signed by a corporate officer, partner, or fiduciary on behalf of the
taxpayer, I certify that I have the authority to execute this tax information
authorization on behalf of the taxpayer.)

Purchaser's signature Date Signed

(Signature) (Title, if applicable) Date

(Also type or print your name below if signing for a taxpayer who is not an
individual.)